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SUBJECT: ARGENTINE FARMERS' STRIKE CONTINUES FOR ANOTHER WEEK

REF: Buenos Aires 0733 and previous

Summary

¶1. (SBU) The leadership of Argentina's four main agricultural organizations decided late on June 2 to prolong their third strike against the GOA for another full week, at least until Monday, June 9. The farmer groups will continue the boycott on grain sales and embargo of grain exports, including soybeans. The sale of cattle for slaughter, however, will be restored to avert disruption to domestic supply. The decision to continue the strike, along with ongoing mobilizations across the country, ratifies the sector's rejection of the government's minor changes to its export tax regime on grains and oilseeds, the precipitating cause of the current conflict between farmers and the GOA. Recent regulations placing more controls on agricultural exports and a bill in Congress to establish a state trading enterprise for all agricultural products show that the GOA is deepening its involvement in agricultural markets. The gulf between both sides of this conflict has widened, making a resolution even less likely in the weeks to come. End Summary.

Still On Strike

¶2. (SBU) The leaders of Argentina's four main agricultural organizations decided late on June 2 to prolong their third strike since March 12 against the GOA for another full week, at least until Monday, June 9. The farmer groups decided to continue the boycott on grain and oilseed sales for export, including soybeans. The sale of cattle for slaughter, however, will be restored to avert disruption to domestic supply. They also decided to deepen their mobilization plan in the interior of the country by pressuring municipal governments and collecting signatures with the objective of gaining support from the Congress to revise tax policies affecting the agricultural sector. The decision to continue the strike, along with ongoing mobilizations across the country, ratifies the sector's rejection of the government's minor change to its export tax regime on grain and oilseeds, which was announced May 29 (see paras 5-6 below).

Both Sides Rallying Support

¶3. (SBU) In concert with its decision to extend the strike, farm organizations rallied support across the country yesterday in response to what they characterized as the GOA's unwillingness to make concessions. In the small (15,000 person) town of Armstrong, Santa Fe province, farmers staged a 35,000-person protest led by farm leader Eduardo Buzzi and charismatic protestor Alfredo De Angeli. In addition, "tractorazos" (tractor rallies), demonstrations, and road blocks were carried out in numerous

locations throughout Entre Rios, Cordoba, La Pampa, Chaco, Santa Fe, and Buenos Aires provinces. Support for the farmers was broad, with many townsfolk and shop-owners endorsing the strike by shutting down commercial activities.

14. (SBU) Government officials and supporters defended the measures and attacked the farmers' stance throughout the day. Vice-President Julio Cobos held a press conference in which he expressed support for the President. Also, pro-government picketers staged counter-protests in front of the headquarters of one of the farm organizations leading the strike in Buenos Aires city, demanding that farmers lift the strike. They also held a make-shift strike in front of the residence of a prominent member of that farm organization.

CONCESSIONS NOT ADEQUATE

15. (SBU) The GOA announced on May 29 changes in the export tax regime (covering soybeans, corn, wheat and sunflower) without negotiating the changes with farm groups. The changes created export tax reductions when prices are above US\$600 per ton (\$16.33 per bushel) for soybeans and above US\$300 per ton (\$7.62 per bushel) for corn. At those prices, the export tax will be 52.7 percent for soybeans (down from 58.5 percent) and 45 percent for corn (down from 53.8 percent). The changes do not affect current export taxes paid, as they only apply at prices well above current export prices. The GOA also announced measures to make it easier for small and medium farmers to collect the subsidies set aside for them. The GOA emphasized that this was not a change in the export tax, but rather, a modification to "ensure that futures markets operate."

16. (SBU) Farm groups were not happy with the largely cosmetic changes and called them "insubstantial" and "unilateral." It appears that the GOA action was more to convince the general public that the government is trying to solve the issue, rather than a serious effort to reach agreement with the farm groups.

TIGHTENING THE SCREWS

18. (SBU) The GOA has issued many regulations in the past weeks clamping down on the agricultural sector. On Friday, May 30, the GOA published another new rule (Resolution 543/2008) which establishes that wheat exporters must maintain 80% of their stocks for the domestic market; and they are only allowed to export the remaining 20%. This is similar to a control mechanism previously placed on beef exporters. The same resolution also establishes the new rules and guidelines for exporters to seek and qualify for export certificates on many agricultural products.

19. (SBU) There have also been reports that the Congress is working on a bill to create a state trading enterprise that will have the power to set prices and buy/sell grains and other agricultural products. This new state trading enterprise would be similar to Argentina's old grain marketing body (the Junta Nacional de Granos), but it would include all agricultural products. Currently, the GOA does not have any of the necessary infrastructure to buy, sell, and warehouse agricultural products. Office contacts suggest that if the law passes, it will have a profoundly negative effect on the solidarity between the four agricultural groups leading the farm strike, since one of the four (FAA) supports the idea while the rest are opposed to it. This appears to be a GOA strategy to pressure the farm sector rather than a project the President would actually sign into law.

COMMENT

110. (SBU) It appears that both sides have dug in and are prepared for a long fight. The farmers' groups have maintained solidarity in the face of government attempts to divide and conquer; and the government continues to "tighten the screws" to show that they will not "accept the imposition of any one sector." Recent regulations placing more controls on agricultural exports, the bill in Congress to establish a state trading enterprise for all agricultural

products, and repeated hints that the government will go after farmers who do not accurately report their income for tax purposes, indicate that the GOA is deepening its involvement in agricultural markets and continuing its strategy to divide and conquer. These recent developments, and the absence of any dialogue to break the impasse, suggest that a resolution is unlikely in the weeks to come.

WAYNE